

SECRET

4 AUG 1975

MEMORANDUM FOR THE RECORD

SUBJECT: Office of Finance Briefing of the House Select Committee Staffers

25X1 1. Messrs. [] briefed the House Select Committee staffers, Emily Sheketoff and Ed Roeder for over five hours (4:15 to 9:45) on 1 Aug 1975. The underlying thrust of questions was toward controls over the use of funds with emphasis on areas in which they appear to believe funds may have been misused. They were provided on the basis of the prior approval of Mr. McMahon with copy of HHB 230-1, Support Supplements for Agency Instrumentalities. Early in the briefing it became apparent that they wished to zero in on proprietary operations so [] arranged through [] for a briefing by Chief, Cover and Commercial Staff which was set up for 11:00 a.m. Sunday morning. 25X1

2. There follow several of the questions or subject matter areas about which questions were asked:

a. Considerable interest was shown in Resource Packages even though this was a topic to be covered by the Comptroller the next day. Concern was expressed about the fact that the cost of an Agency Resource Package would not necessarily reveal all costs being incurred in connection with the activity. The discussions in this context recognized that Agency Resource Packages are necessarily limited to Agency appropriations and do not include NRO funds for example.

b. What is dedicated money?

c. What are Economy Act transfers?

d. Are there cases in which the Agency requires or directs an activity which is completely funded by another Agency?

e. Are other Agency funds used to supplement Agency operations?

f. Do not most businessmen who provide information to the Agency have some business relationship with the Agency?

g. Would we use the names of individuals as stockholders in proprietaries without their knowledge?

SECRET

2 IMPDET CL B []

25X1

~~SECRET~~

h. A series of questions related to controls over the expenditure of funds and the authorization process for establishing a new activity at a field station.

i. How do you determine whether expenditures are in conformance with law? The staffers cited CHAOS in this context as though expenditures for that activity had obviously been illegal. An additional question was whether Certifying Officers are responsible for determining that the product of an operation is worthwhile in terms of its cost.

j. Considerable interest was shown in whether actual obligations by object class are consistent with original budget estimates.

k. Curiosity was expressed as to how cryptonyms are constructed.

l. Questions about the Reserve for Contingencies seemed to be based upon a concern that the Reserve could be augmented in inappropriate ways and the Contingency Reserve could be used clandestinely to supplement our appropriation. They discounted the fact that our subcommittees were informed of reserve withdrawals and indicated the entire Congress should approve.

m. Why should the Agency not have an open budget?

3. On the basis of prior arrangements with Mr. McMahon there was raised for discussion the letter from the staffers to [redacted] dtd 30 July 1975 listing information desired by the staffers. The following clarifications were agreed to concerning the data desired:

25X1

25X1

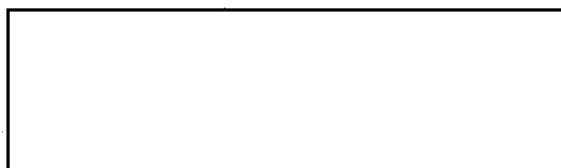
b. Item 2 -- The highest net worth information on proprietaries can be based on calendar year end highs.

~~SECRET~~

c. Item 3 -- The requested information on proprietary investments is to be limited to a listing of proprietaries which ever held more than \$70,000 in any investment media other than government securities.

d. Item 4 -- The thrust of this request was basically for budget related procedures. The discussions, however, surfaced the interest of the staffers in Letters of Instructions.

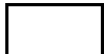
e. Item 5 -- The information for individual reserve releases should include an additional citation identifying covert action projects when applicable.



25X1

Deputy Director
for
Plans and Systems

cc: McMahon



25X1